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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

GTE Service Corporation

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Washington, D.C. 20036  
(202) 463-5214

ORIGINAL  
FILE

Gail L. Polivy  
Senior Attorney

October 21, 1992

Ms. Donna Searcy  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Re: Ex Parte Presentation  
CC Docket No. 92-141

Dear Ms. Searcy:

In response to a request by the Commission staff, GTE hereby provides additional information concerning billing and collection costs with regard to above-referenced tariff investigation. GTE has stated that the incremental effect of billing and collection costs are de minimis. The Association for Local Telecommunications Services challenged this in an ex parte filing dated September 30, 1992. The staff has asked GTE to provide support for its assertion that billing and collection costs are de minimis.

The incremental cost related to billing expenses for the transport facility and transport termination rate elements is the cost associated with the additional processing time of the GTOCs' Carrier Access Billing System ("CABS") resulting from the increased demand. One way to identify this cost would be to engage in a detailed examination of the programming code of the billing system and then to relate the cost of processing the identified usage sensitive code to the cost of running the total billing program. This would be a costly and time consuming process.

Instead, GTE believes that the incremental billing costs reasonably can be approximated from comparing the total CABS processing cost to the rate elements in question. As outlined below and in the Attachment to this letter,

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List A B C D E

GTE has evaluated the cost relationship of the transport facility and transport termination rate elements to the total CABS processing costs. Even though this methodology will significantly overstate the actual incremental cost in question, it will show that the cost involved is extremely small and the effect is de minimis.

CABS processes bills for all access services across all jurisdictions. Thus, the first step to relate these costs to the rate elements in question is to reduce the monthly processing expense to an amount to be applied to switched access only. This is done based on 1992 forecasted revenues. Line 17 of Page 1 of the attachments shows the CABS processing cost assigned to switched access to be \$1,280,104 per month.

Next, this amount is reduced to a usage level, since switched access is billed based on usage. Forecasted minutes of use (MOUs) for both state and interstate switched access services are divided into the monthly processing cost to arrive at a cost per MOU of \$0.00035587. This amount is shown on line 24 of Page 1. Separation of this amount between the switched access services, traffic sensitive and common line, is achieved by multiplying by the percent of interstate traffic sensitive revenues to total interstate switched revenues. The amount of processing costs applied to traffic sensitive services is \$0.0001569 per MOU.

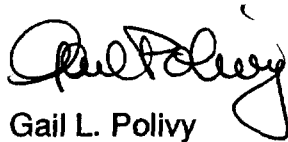
Page 2 of the Attachment shows how the traffic sensitive processing cost per MOU is reduced to an appropriate level for the rate elements in question. The relative weight of each interstate rate element to the total traffic sensitive composite rate per MOU is applied to the total cost per MOU. These amounts are shown for the transport facility and transport termination rate elements on lines 1 and 11 of Page 2. In order to arrive at the chargeable level, the transport facility cost per MOU is divided by its average length of haul and the transport termination cost per MOU is divided by 2. The resulting amount of bill processing cost to be recovered is shown in column B of Page 2. For example, the total processing additives to the transport facility rate element range from \$0.00000050 to \$0.00000070 per minute-mile.

As stated above, however, these costs represent the total cost to process bills through CABS, not just incremental costs. The incremental costs would necessarily be less than the total cost. Thus, the effect would be even more negligible. Additionally, the only rate to be affected by any possible increase in average variable cost is the transport facility rate in GTOC Florida. Even if the total billing cost is added, this rate would only need to be increased by \$0.0000006 per minute-mile. Thus, GTE maintains that the effect of any incremental bill processing costs to the AVC study provided by GTOC is de minimis.

Ms. Donna Searcy  
October 21, 1992  
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Should you want any additional information, please contact me or Gordon Maxson at (202) 463-5291.

Sincerely,

A handwritten signature in black ink, appearing to read "Gail Polivy", with a stylized flourish at the end.

Gail L. Polivy  
Attorney for GTE

Attachment

cc: John C. Shapleigh, Counsel for ALTS  
Jonathan E. Canis, Counsel for ALTS

**GTE TELEPHONE OPERATIONS  
ACCESS BILL PROCESSING COSTS**

1	MONTHLY AVERAGE CABS PROCESSING COST:				\$1,380,000
2					
3					
4					
5	FORECASTED ACCESS REVENUES (000s):	STATE	INTERSTATE	TOTAL	% OF TOTAL
6					
7	COMMON LINE	\$313,381	\$981,347	\$1,294,728	
8	TRAFFIC SENSITIVE	<u>475,848</u>	<u>774,157</u>	<u>1,250,005</u>	
9	TOTAL SWITCHED ACCESS REVENUES	\$789,229	\$1,755,504	\$2,544,733	92.76%
10					
11	SPECIAL	<u>44,879</u>	<u>153,706</u>	<u>198,585</u>	<u>7.24%</u>
12					
13	TOTAL	<u>\$834,108</u>	<u>\$1,909,210</u>	<u>\$2,743,318</u>	<u>100.00%</u>
14					
15					
16					
17	MONTHLY CABS PROCESSING COST – SWITCHED ACCESS		\$1,280,104		
18	(1,380,000 * 92.76%)				
19					
20	FORECASTED INTERSTATE SWITCHED MINUTES/MONTH		2,415,980,583		
21	FORECASTED STATE SWITCHED MINUTES/MONTH		<u>1,181,133,500</u>		
22	TOTAL FORECASTED SWITCHED MOUS/MONTH		3,597,114,083		
23					
24	CABS PROCESSING COST PER MOU		\$0.00035587		
25					
26	PERCENT INTERSTATE TRAFFIC SENSITIVE REVENUES		<u>44.10%</u>		
27	(774,157/1,755,504)				
28					
29	INTERSTATE TRAFFIC SENSITIVE PROCESSING COST PER MOU		<u>\$0.00015690</u>		

**GTE TELEPHONE OPERATIONS  
SEPARATION OF BILL PROCESSING COSTS  
TO BELOW BAND TRAFFIC SENSITIVE RATE ELEMENTS**

		PROCESSING COST PER					PROPOSED	DIFF FROM
		MILEAGE	RATE ELEMENT	ORIGINAL AVC	REVISED AVC	% CHANGE	RATE	REVISED COST
		A	B=MOU RATE/A OR MOU RATE/2*	C	D=B+C	E=D/C-1	F	G=F/D-1
1	TRANSPORT FACILITY PER MOU		\$0.00000840					
2	*(.0001083 * 5.33%)							
3								
4	COST PER MINUTE/MILE:							
5	CALIFORNIA	12.71	\$0.00000070	\$0.00004650	\$0.00004720	1.51%	\$0.00005640	19.49%
6	FLORIDA	14.82	0.00000060	0.00002060	0.00002120	2.91%	0.00002060	-2.83%
7	SOUTHWEST	17.86	0.00000050	0.00004440	0.00004490	1.13%	0.00006060	34.97%
8	WASH/ORE/CALIF-WC	16.23	0.00000050	0.00003040	0.00003090	1.64%	0.00003580	15.86%
9								
10								
11	TRANSPORT TERMINATION COST PER MOU		\$0.00005870					
12	*(.0001083 * 37.44%)							
13								
14	COST PER MINUTE/TERM (2 TERMS)							
15	CALIFORNIA		\$0.00002940	\$0.00055160	\$0.00058100	5.33%	\$0.00190350	227.62%
16	FLORIDA		0.00002940	0.00068760	0.00071700	4.28%	0.00199760	178.61%
17	SOUTHWEST		0.00002940	0.00084050	0.00086990	3.50%	0.00462150	431.27%
18	WASH/ORE/CALIF-WC		0.00002940	0.00122780	0.00125720	2.39%	0.00684960	444.83%
19								
20								
21	* LINES 1 AND 11 ARE CALCULATED AS SHOWN							
22								
23								
24								
25	GTE AVG TRANSPORT FACILITY RATE PER MOU		\$0.00156500	5.33%				
26	GTE AVG TRANSPORT TERMINATION RATE PER MOU		0.01098380	37.44%				
27	GTE AVG END OFFICE SWITCHING RATE PER MOU		0.01616370	55.10%				
28	GTE AVG INFORMATION SURCHARGE RATE PER MOU		<u>0.00062260</u>	2.12%				
29								
30	TOTAL PREMIUM RATE PER MOU		\$0.02933510	100.00%				